

**SONY**

# **Q3 FY2020 Consolidated Financial Results**

(Three months ended December 31, 2020)

February 3, 2021

**Sony Corporation**

Please be aware that, in the following remarks, statements made with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them. Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting [www.sony.net/IR](http://www.sony.net/IR).

- **Q3 FY2020 Consolidated Financial Results and FY2020 Consolidated Results Forecast**
- **Segments Outlook**

- Today I will explain the consolidated results for the third quarter ended December 31, 2020 (“FY20 Q3”) and the forecast for the fiscal year ending March 31, 2021 (“FY20”), and the state of each of our business segments.

## Q3 FY2020 Consolidated Results

(Bln Yen)

	Q3 FY19	Q3 FY20	Change
Sales & operating revenue	2,463.2	<b>2,696.5</b>	+233.4 bln yen (+9%)
Operating income	300.1	<b>359.2</b>	+59.1 bln yen (+20%)
Income before income taxes	310.3	<b>477.4</b>	+167.1 bln yen (+54%)
Net income attributable to Sony Corporation's stockholders	229.5	<b>371.9</b>	+142.4 bln yen (+62%)
Net income attributable to Sony Corporation's stockholders per share of common stock (diluted)	182.89 yen	<b>297.35 yen</b>	+114.46 yen
<b>Average rate</b>			
1 US dollar	108.8 yen	<b>104.5 yen</b>	
1 Euro	120.3 yen	<b>124.5 yen</b>	

- FY20 Q3 consolidated sales increased 9% compared to the same quarter of the previous fiscal year ("year-on-year") to 2 trillion 696.5 billion yen and consolidated operating income increased a significant 59.1 billion yen year-on-year to 359.2 billion yen.
- Primarily due to an improvement in valuation gains and losses on investment securities in other income and expense, income before income taxes increased 167.1 billion yen year-on-year to 477.4 billion yen and net income attributable to Sony Corporation's stockholders increased 142.4 billion yen year-on-year to 371.9 billion yen.

## Q3 FY2020 Results by Segment

(Bln Yen)

		Q3 FY19	Q3 FY20	Change	FX Impact
<b>Game &amp; Network Services (G&amp;NS)</b>	Sales	632.1	<b>883.2</b>	+251.1	-6.3
	Operating income	53.5	<b>80.2</b>	+26.7	+9.4
<b>Music</b>	Sales	216.9	<b>264.5</b>	+47.5	-6.4
	Operating income	36.3	<b>59.7</b>	+23.4	
<b>Pictures</b>	Sales	236.0	<b>191.2</b>	-44.8	-7.7
	Operating income	5.4	<b>22.2</b>	+16.8	
<b>Electronics Products &amp; Solutions (EP&amp;S)</b>	Sales	650.4	<b>649.0</b>	-1.4	-8.9
	Operating income	80.3	<b>105.8</b>	+25.4	+3.1
<b>Imaging &amp; Sensing Solutions (I&amp;SS)</b>	Sales	298.0	<b>266.9</b>	-31.1	-9.1
	Operating income	75.2	<b>50.4</b>	-24.8	-4.2
<b>Financial Services</b>	Revenue	407.2	<b>425.3</b>	+18.0	
	Operating income	32.6	<b>46.6</b>	+14.0	
<b>All Other</b>	Sales	72.3	<b>72.5</b>	+0.2	
	Operating income	20.7	<b>8.1</b>	-12.5	
<b>Corporate and elimination</b>	Sales	-49.9	<b>-56.0</b>	-6.2	
	Operating income	-3.8	<b>-13.7</b>	-9.9	
<b>Consolidated total</b>	Sales	2,463.2	<b>2,696.5</b>	+233.4	
	Operating income	300.1	<b>359.2</b>	+59.1	

· Sales and Revenue in each business segment represents sales and revenue recorded before intersegment transactions are eliminated. Operating income in each business segment represents operating income reported before intersegment transactions are eliminated and excludes unallocated corporate expenses (applies to all following pages).  
 · Both Sales and Revenue include operating revenue and intersegment sales (applies to all following pages).

- This slide shows the results by segment for FY20 Q3.

## FY2020 Consolidated Results Forecast

(Bln Yen)

	FY19	FY20 October FCT	FY20 February FCT	Change from October FCT
Sales & operating revenue	8,259.9	8,500	<b>8,800</b>	+300 bln yen (+4%)
Operating income	845.5	700	<b>940</b>	+240 bln yen (+34%)
Income before income taxes	799.5	765	<b>1,120</b>	+355 bln yen (+46%)
Net income attributable to Sony Corporation's stockholders	582.2	800	<b>1,085</b>	+285 bln yen (+36%)
Operating Cash Flow (Sony without Financial Services)	762.9	630	<b>850</b>	+220 bln yen (+35%)
Average rate	Actual	Assumption (2H FY20)	Assumption (Q4 FY20)	<b>Dividend per Share</b>
1 US dollar	108.7 yen	Approx. 105 yen	Approx. 103 yen	<b>Interim</b> 25 yen
1 Euro	120.8 yen	Approx. 123 yen	Approx. 126 yen	<b>Year-end (Planned)</b> 30 yen
				<b>Full year (Planned)</b> 55 yen

Consolidated Operating Cash Flow (Sony without Financial Services) is not a measure in accordance with U.S. GAAP. However, Sony believes that this disclosure may be useful information to investors.

- Next, I will show the consolidated results forecast for FY20.
- Consolidated sales are expected to increase 300 billion yen compared with the previous forecast to 8 trillion 800 billion yen and operating income is expected to increase 240 billion yen to 940 billion yen.
- We have also upwardly revised the forecast for income before income taxes to 1 trillion 120 billion yen and net income attributable to Sony Corporations' stockholders to 1 trillion 85 billion yen.
- Our forecast for consolidated operating cash flow excluding the Financial Services segment is 850 billion yen, an increase of 220 billion yen compared with our previous forecast.
- As for dividends this fiscal year, we expect to issue a year-end dividend of 30 yen per share which, when combined with the interim dividend already paid, will make our expected annual dividend 55 yen per share this fiscal year, 10 yen more than last fiscal year.

## FY2020 Results Forecast by Segment

(Bln Yen)

		FY19	FY20 October FCT	FY20 February FCT	Change from October FCT
<b>Game &amp; Network Services (G&amp;NS)</b>	Sales	1,977.6	2,600	<b>2,630</b>	+30
	Operating income	238.4	300	<b>340</b>	+40
<b>Music</b>	Sales	849.9	850	<b>900</b>	+50
	Operating income	142.3	152	<b>180</b>	+28
<b>Pictures</b>	Sales	1,011.9	760	<b>750</b>	-10
	Operating income	68.2	48	<b>72</b>	+24
<b>Electronics Products &amp; Solutions (EP&amp;S)</b>	Sales	1,991.3	1,870	<b>1,890</b>	+20
	Operating income	87.3	67	<b>125</b>	+58
<b>Imaging &amp; Sensing Solutions (I&amp;SS)</b>	Sales	1,070.6	960	<b>1,010</b>	+50
	Operating income	235.6	81	<b>136</b>	+55
<b>Financial Services</b>	Revenue	1,307.7	1,460	<b>1,600</b>	+140
	Operating income	129.6	155	<b>170</b>	+15
<b>All Other, Corporate and elimination</b>	Operating income	-55.9	-103	<b>-83</b>	+20
<b>Consolidated total</b>	Sales	8,259.9	8,500	<b>8,800</b>	+300
	Operating income	845.5	700	<b>940</b>	+240

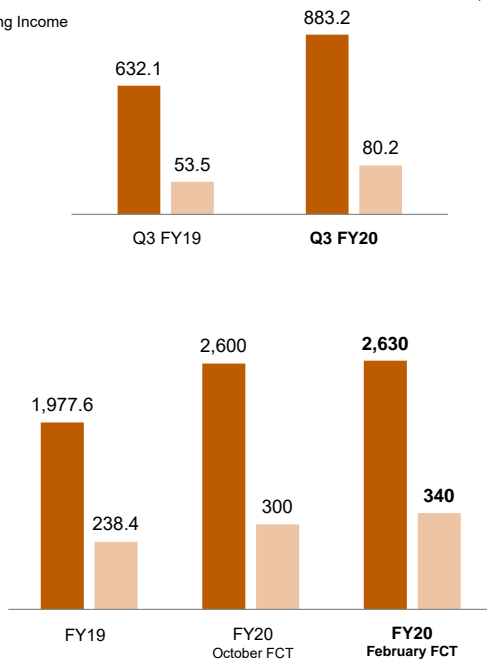
- This slide shows our forecast by segment.
- I will now explain the situation in each of our business segments.

## Game & Network Services Segment (“G&NS Segment”)

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)



#### Q3 FY2020 (year-on-year)

- Sales: 251.1 bln yen (40%) significant increase (FX Impact: -6.3 bln yen)
  - (+ Increase in game software sales including add-on content
  - (+ Increase in hardware sales due to PlayStation®5 (PS5™) launch
- OI: 26.7 bln yen significant increase (FX Impact: +9.4 bln yen)
  - (+ Increase in game software sales
  - (+ Increase in Network Services sales, mainly from PlayStation®Plus (PS Plus)
  - (+ Higher profit margins on PlayStation®4 hardware
  - (- Increase in selling, general and administrative expenses related to the launch of PS5™
  - (- Loss resulting from strategic price points for PS5™ hardware that were set lower than the manufacturing costs

#### FY2020 Forecast (change from October forecast)

- Sales: 30 bln yen (1%) upward revision
  - (+ Higher-than-expected game software sales including add-on content
  - (+ Higher-than-expected Network Services sales including PS Plus
  - (+ Higher-than-expected sales of peripheral devices
- OI: 40 bln yen upward revision
  - (+ Higher-than-expected game software sales
  - (+ Cost reductions
  - (+ Positive impact of foreign exchange rates
  - (+ Higher-than-expected Network Services sales

- First is the Game & Network Services segment.
- Sales in FY20 Q3, during which we started selling the PlayStation®5 (“PS5™”), increased a significant 40% year-on-year to 883.2 billion yen.
- Operating income increased a significant 26.7 billion yen year-on-year to 80.2 billion yen due to an increase in sales from game software and network services, partially offset by increased costs associated with the launch of the PS5™ and losses recorded on PS5™ hardware resulting from strategic price points.
- FY20 sales are expected to increase 30 billion yen compared with the previous forecast to 2 trillion 630 billion yen and operating income is expected to increase 40 billion yen to 340 billion yen, reflecting the strong results of FY20 Q3.
- As is evidenced by our forecast to record the highest profit in our history despite undergoing a hardware transition this fiscal year, the profitability structure of our game business has changed dramatically due to an expansion of network services.



Q3 FY20  
sell-in units

**4.5 million**

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(Reference: PS4™ sell-in units in Q3 FY13: 4.5 million)

- Since starting to sell the PS5™ in November, we have sold 4.5 million cumulative units as of the end of December.
- We are currently on track to meet our sales goal for the fiscal year of more than 7.6 million units, but we have not been able to fully meet the high level of demand from customers.
- We continue to do everything in our power to ship as many units as possible to customers who are waiting for a PS5™.
- Thanks to continued stay-at-home demand and the launch of the PS5™, we have achieved a very high level of user engagement.
- Total PlayStation user gameplay time in December was approximately 30% higher than the same month of the previous fiscal year.
- Moreover, as of the end of December, 87% of PS5™ users were subscribers to PlayStation®Plus, an extremely high level.
- We had more game software titles at the launch of the PS5™ than at any previous PlayStation console launch in our history, and those titles have sold well.
- Our first-party game title Marvel's Spider-Man: Miles Morales recorded sell-through of 4.1 million units as of the end of December.
- Continuing with our strategy of enhancing user engagement, we intend to take steps to further enhance the appeal of our network services offerings.

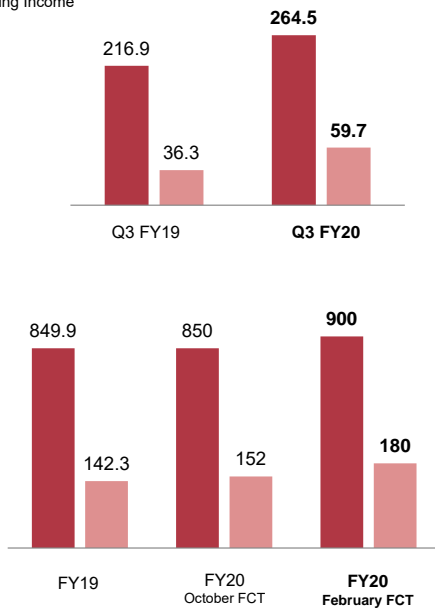


## Music Segment

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)



#### Q3 FY2020 (year-on-year)

- Sales: 47.5 bln yen (22%) significant increase (FX Impact: -6.4 bln yen)
  - (+) Higher sales for Visual Media and Platform
  - (+) Increase in anime business sales primarily reflecting the contribution of *Demon Slayer – Kimetsu no Yaiba – the Movie: Mugen Train*
  - (+) Strong performance of mobile game applications
  - (+) Increase in streaming revenues for Recorded Music and Music Publishing
- OI: 23.4 bln yen significant increase
  - (+) Impact of increase in sales

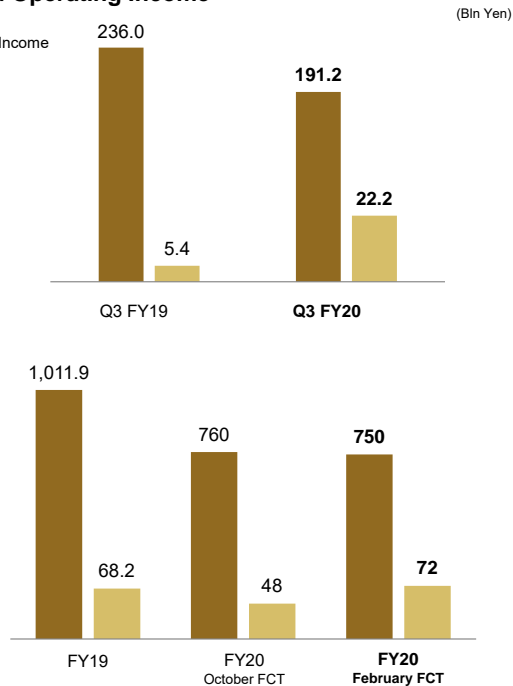
#### FY2020 Forecast (change from October forecast)

- Sales: 50 bln yen (6%) upward revision
  - (+) Higher sales for Visual Media and Platform
  - (+) Increase in anime business sales primarily reflecting the strong performance of *Demon Slayer – Kimetsu no Yaiba – the Movie: Mugen Train*
  - (+) Strong performance of mobile game applications
  - (+) Higher-than-expected sales of physical media in Recorded Music
- OI: 28 bln yen upward revision
  - (+) Impact of increase in sales

- Next is the Music segment.
- FY20 Q3 sales increased 22% year-on-year to 264.5 billion yen and operating income increased 23.4 billion yen to 59.7 billion yen.
- In Recorded Music, streaming revenue during FY20 Q3 continued to grow at the high rate of 21% year-on-year.
- We have had success discovering and developing new artists, which has been a focus for us.
- Examples include Doja Cat, who has been nominated for Best New Artist and two other Grammy Awards in the U.S., and the musical groups YOASOBI and NiziU, which have become big hits in Japan.
- FY20 sales are expected to increase 50 billion yen compared to our previous forecast to 900 billion yen and operating income is expected to increase 28 billion yen to 180 billion yen, primarily due to an increase in revenue of Visual Media and Platform, including the anime business.
- *Demon Slayer – Kimetsu no Yaiba – the Movie: Mugen Train*, which the Sony Group company Aniplex Inc. co-produced and co-distributed, has become the highest grossing movie in history in Japan with box office revenue of 36.8 billion yen as of January 31.
- Hits like this evidence Aniplex's ability to increase the value of content IP through its expertise in discovering superb original works, applying creativity to their production and marketing the final product to grow the fan base.
- The theme song to the movie sung by LiSA, an artist signed to one of our Group companies, has become a huge hit as well, demonstrating how our success spans the Music segment.

## Pictures Segment

### Sales and Operating Income



### Q3 FY2020 (year-on-year)

The following analysis is on a U.S. dollar basis

- Sales: 44.8 bln yen (19%) significant decrease (U.S. dollar basis: -341 mil USD / -16%)
  - (-) Significant decrease in sales for Motion Pictures
    - (-) Absence of major theatrical releases during the current fiscal year resulting from theater closures due to COVID-19
    - (-) Lower home entertainment and television licensing sales from current year titles due to absence of major theatrical releases during the current fiscal year
    - (+ ) Higher television licensing and home entertainment sales from prior year and catalog titles
- OI: 16.8 bln yen significant increase
  - (+ ) Lower theatrical marketing costs in Motion Pictures
  - (+ ) Higher television licensing and home entertainment sales from prior year and catalog titles
  - (-) Above-mentioned decrease in sales for current year titles

### FY2020 Forecast (change from October forecast)

- Sales: 10 bln yen (1%) downward revision
  - (-) Delays in theatrical releases resulting from theater closures due to COVID-19
- OI: 24 bln yen upward revision
  - (+ ) Lower theatrical marketing costs in Motion Pictures
  - (+ ) Higher-than-expected home entertainment and television licensing sales from prior year and catalog titles

- Next is the Pictures segment.
- FY20 Q3 sales significantly decreased 19% year-on-year to 191.2 billion yen primarily due to a significant decrease in theatrical releases.
- Operating income increased 16.8 billion yen year-on-year to 22.2 billion yen as the impact of the decrease in sales was offset by a significant decrease in marketing costs in Motion Pictures.
- FY20 sales are expected to decrease 10 billion yen compared with the previous forecast to 750 billion yen and operating income is expected to increase 24 billion yen to 72 billion yen, reflecting results through FY20 Q3.
- Due to the global resurgence of COVID-19, film releases have been delayed because theaters have been closed, and we have decided to postpone again the theatrical release of films like *Ghostbusters: Afterlife*, *Cinderella* and *Morbis*.
- Our profitability this fiscal year has improved year-on-year primarily due to the postponement of marketing costs resulting from the repeated postponement of releases. Next fiscal year, we expect Motion Pictures to be negatively impacted primarily by a decrease in home entertainment and television licensing revenue, mainly due to the lack of major film releases in the current fiscal year.
- On the other hand, in Television Productions, we expect profitability next fiscal year to improve primarily due to licensing of library product, reflecting strong demand from video streaming and other services.
- Moreover, we expect to offset a portion of the softness in the profitability of Motion Pictures with a recovery in advertising revenue in India and the U.S., and strong performance of Funimation, in Media Networks.

## Growth Investments in the Entertainment Space

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Anime Streaming Service

Signed definitive agreement  
in December 2020



Recorded Music Label and  
Distribution Business for Independent Artists

Signed definitive agreement  
in January 2021

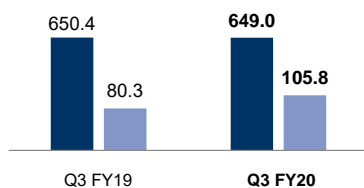
- Now I will explain the strategic investments we are proactively pursuing in the entertainment space.
- All these acquisitions require regulatory approval and are meant to further grow Sony.
- In December of last year, we announced the acquisition of Crunchyroll, a U.S. anime streaming service which has 90 million registered users and over 3 million paying subscribers in over 200 countries and territories.
- Consumer interest in Japanese anime is increasing rapidly, particularly outside of Japan, and, as a company that currently owns both content and a direct-to-consumer (“DTC”) streaming service, we have positioned anime as a focus area.
- Through the planned acquisition, we aim to broadly distribute premium Japanese anime content produced by Aniplex and other studios to fans all over the world.
- Yesterday we announced the acquisitions of AWAL, a leading artist services and distribution business, and Kobalt Neighbouring Rights (“KNR”), the world’s leading neighboring rights management business, both of which cater to the rapidly growing independent music market.
- Through the planned acquisition of AWAL, we aim to expand our artist services business in the independent space, which is driving growth in the music market, and we aim to expand the foundation of our business in the Music segment by enhancing the discovery and development of new artists.

## Electronics Products & Solutions Segment (“EP&S Segment”)

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)

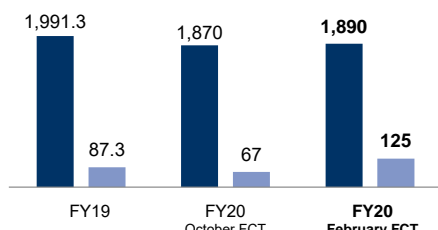


Mobile Communications\*  
(included above)

	Q3 FY19	Q3 FY20
Sales to External Customers	113.5	111.1
Operating Income	7.0	21.3

### Q3 FY2020 (year-on-year)

- Sales: Essentially flat (FX Impact: -8.9 bln yen)
  - (-) Impact of foreign exchange rates
  - (-) Decrease in sales of smartphones due to a decrease in unit sales
  - (+ ) Increase in sales of televisions due to an improvement in the product mix
- OI: 25.4 bln yen significant increase (FX Impact: +3.1 bln yen)
  - (+ ) Improvement in the product mix of televisions and digital cameras
  - (+ ) Reductions in operating costs in Mobile Communications
  - (-) Decrease in unit sales of digital cameras, televisions and smartphones



Mobile Communications\*  
(included above)

	FY19	FY20 October FCT	FY20 February FCT
Sales to External Customers	362.1	—	—
Operating Income	-21.1	—	—

### FY2020 Forecast (change from October forecast)

- Sales: 20 bln yen (1%) upward revision
  - (+ ) Higher-than-expected sales of televisions due to an improvement in the product mix
- OI: 58 bln yen upward revision
  - (+ ) Improvement in the product mix of televisions and digital cameras
  - (+ ) Reductions in operating costs

\* Mobile Communications includes the smartphone business and internet-related service business.

- Next is the Electronics Products & Solutions segment.
- FY20 Q3 sales were essentially flat year-on-year at 649.0 billion yen and operating income increased 25.4 billion yen year-on-year to 105.8 billion yen.
- FY20 sales are expected to increase 20 billion yen compared with our previous forecast to 1 trillion 890 billion yen and operating income is expected to increase 58 billion yen to 125 billion yen, reflecting the results of FY20 Q3.
- The operating environment improved somewhat during FY20 Q3 as stay-at-home demand for home AV products continued and demand for digital cameras and other products recovered.
- In the TV business, we were able to secure a high level of profit resulting from our ability to maintain prices, reflecting a tight supply of panels, our efforts to shift sales to higher value-added models and a reduction in operating costs.
- We faced a variety of constraints in regard to component procurement across multiple categories, but we were able to mitigate the negative impact on profitability.
- In preparation for the transition to a new management team in April, we are further strengthening the profitability structure of the business and the management of the segment as one entity. As a result, we have incorporated some one-time expenses, including restructuring, into our FY20 forecast.



BRAVIA XR Series  
Cognitive Processor XR



“α1”  
Full-Frame Mirrorless Camera



“Xperia PRO”  
5G mmWave device

- These are some of the new products that we have announced recently.
- All of them have a high degree of differentiation made possible by Sony’s proprietary technology.
- Going forward we expect to continue delivering high value-added products to customers.

## Imaging & Sensing Solutions Segment (“I&SS Segment”)

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)

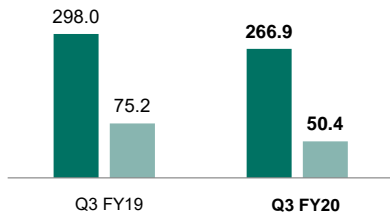


Image Sensors Sales	261.6	226.7
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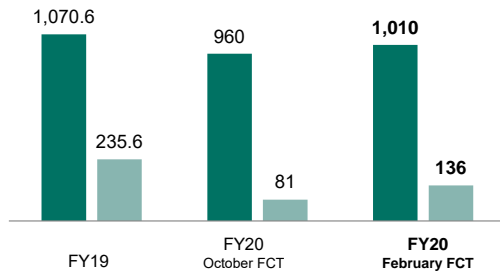


Image Sensors Sales	930.2	820	870
Additions to long-lived assets for I&SS Segment	276.8	235	205
for Image Sensors (included above)	265.7	215	185

### Q3 FY2020 (year-on-year)

- Sales: 31.1 bln yen (10%) significant decrease (FX Impact: -9.1 bln yen)
  - (-) Significant decrease in sales of image sensors for mobile products
  - (-) Deterioration of the product mix
  - (+ ) Increase in unit sales
- OI: 24.8 bln yen significant decrease (FX Impact: -4.2 bln yen)
  - (-) Impact of decrease in sales
  - (-) Increase in research and development expenses as well as depreciation and amortization expenses
  - (+ ) Gain from the reversal of inventory write-downs of certain image sensors for mobile products previously recorded in Q2 FY20 (+8.5 bln yen)

### FY2020 Forecast (change from October forecast)

- Sales: 50 bln yen (5%) upward revision
  - (+ ) Higher-than-expected unit sales of image sensors for mobile products
  - (+ ) Higher-than-expected unit sales of image sensors for digital cameras
- OI: 55 bln yen upward revision
  - (+ ) Impact of increase in sales
  - (+ ) Above-mentioned gain from reversal of inventory write-downs of image sensors for mobile products

- Next is the Imaging & Sensing Solutions segment.
- FY20 Q3 sales decreased 10% year-on-year to 266.9 billion yen primarily due to lower sales of image sensors for mobile.
- Operating income decreased 24.8 billion yen to 50.4 billion yen primarily due to the impact of the decrease in sales and an increase in research and development expenses and depreciation.
- FY20 sales are expected to increase 50 billion yen compared to our previous forecast to 1 trillion 10 billion yen and operating income is expected to increase a significant 55 billion yen to 136 billion yen.

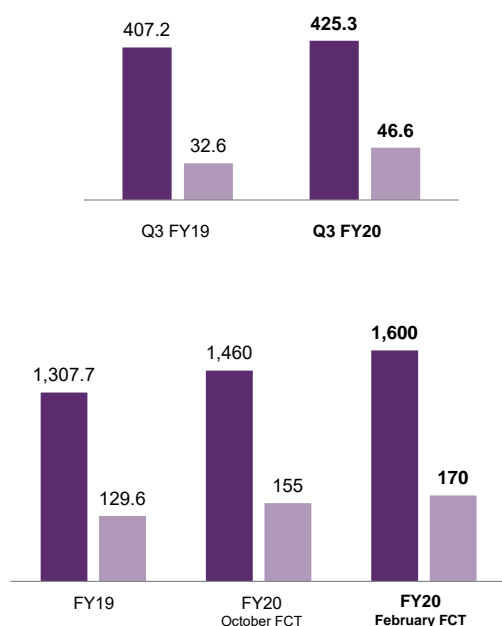
- **State of Our Business with a Certain Chinese Customer**
- **Background of the Change in Forecast**
- **Mid-Range Initiatives**

- In September of last year, we terminated shipments of mobile image sensors to a certain major Chinese customer, but we resumed a portion of shipments to that customer from late November. Although we have incorporated the impact of this resumption into our forecast for the current fiscal year, we expect sales to the customer to decrease significantly year-on-year. As a result of the resumption of shipments, we reversed 8.5 billion yen of the approximately 17.5 billion yen write-down of finished goods and work-in-progress inventory for the customer that we recorded at the end of the previous quarter.
- Now I will explain the fiscal year forecast we issued today.
- Orders from our other major non-Chinese customer have significantly exceeded the assumption we made in our October forecast, and we have reflected that fact in the current forecast for the fiscal year.
- As I mentioned at the last earnings announcement, we are striving to recover market share through an increase in sales of general-purpose sensors, and we are working to expand and diversify our customer base.
- In order to maximize business opportunities in the fiscal year ending March 31, 2022 and optimize investment efficiency, we have decided to increase utilization of our existing production capacity in FY20 Q4 and will be stockpiling a certain level of inventory. We have incorporated into our FY20 profit forecast the utilization profit we expect to generate from stockpiling this inventory.
- Over the mid-range, we are developing products and engaging with customers to increase the sales of high value-added products with the aim of recovering the profitability of the mobile image sensor business and returning it to growth from the fiscal year ending March 31, 2023.
- At CES held last month, we announced that we have begun public road testing in Europe of the VISION-S, which is equipped with Sony's latest automotive image sensors. Through efforts such as this focused on the long-term, we aim to create new business opportunities.

## Financial Services Segment

### Financial Services Revenue and Operating Income

■ Financial Services Revenue  
■ Operating Income (Bln Yen)



#### Q3 FY2020 (year-on-year)

- Revenue: 18.0 bln yen (4%) increase
  - (+) Increase in revenue at Sony Life (7.9 bln yen increase, revenue: 376.3 bln yen)
  - (+) Increase in gains on investments in the general account
  - (-) Decrease in premiums (decrease in premiums from single premium insurance, partially offset by increase in policy amount in force)
  - (+) Impact of an equity affiliate becoming a wholly-owned subsidiary in Q4 FY19
- OI: 14.0 bln yen significant increase
  - (+) Significant increase in OI at Sony Life (10.6 bln yen increase, OI: 38.5 bln yen)
  - (+) Improvement in foreign exchange gains and losses in U.S. dollar-denominated insurance
  - (+) Improvement in net gains and losses related to market fluctuations for variable life insurance and other products\*

#### FY2020 Forecast (change from October forecast)

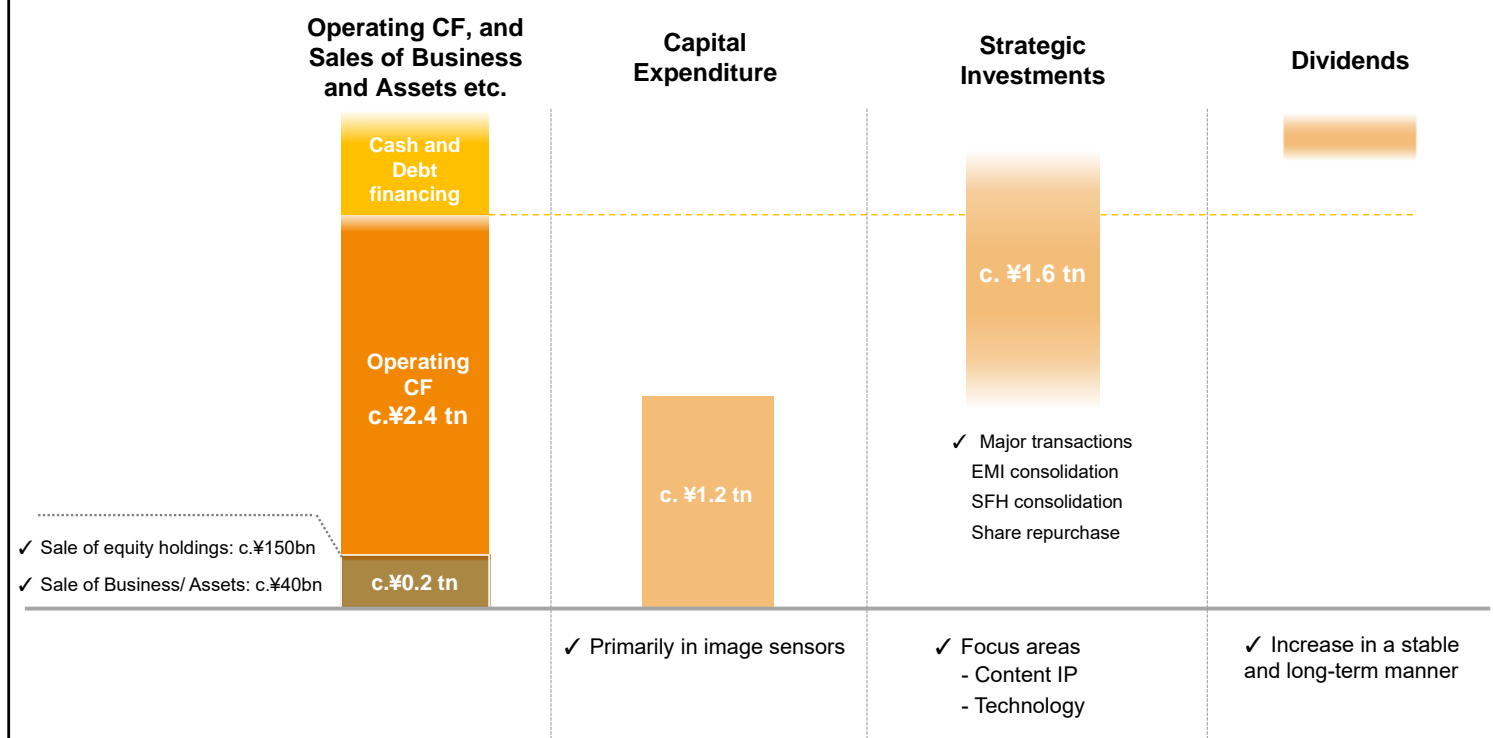
- Revenue: 140 bln yen (10%) upward revision
  - (+) Increase in net gains on investments in the separate accounts at Sony Life
- OI: 15 bln yen upward revision
  - (+) Improvement in foreign exchange gains and losses in U.S. dollar-denominated insurance at Sony Life
  - (+) Decrease in operating expenses at Sony Life

\* Overall improvement in the provision of policy reserves for minimum guarantees for variable life insurance and other products resulting from market fluctuations, and net gains and losses on derivative transactions to hedge market risks

- Last is the Financial Services segment.
- FY20 Q3 Financial Services revenue increased 4% year-on-year to 425.3 billion yen primarily due to an increase in net valuation gains on investments in the general account at Sony Life Insurance Co., Ltd. ("Sony Life"). Insurance premium revenue at Sony Life decreased, but this was due to a decrease in single premium insurance that sold well in the same quarter of the previous fiscal year. New policy amount in force was higher than the same quarter of the previous fiscal year and our insurance business is continuing to grow well.
- Operating income increased 14 billion yen year-on-year to 46.6 billion yen primarily due to an improvement in foreign exchange gains and losses in U.S. dollar-denominated insurance at Sony Life.
- FY20 Financial Services revenue is expected to increase 140 billion yen compared with our previous forecast to 1 trillion 600 billion yen, primarily reflecting an increase in net valuation gains on investments in the separate accounts during FY20 Q3 at Sony Life.
- Operating income is expected to increase 15 billion yen to 170 billion yen primarily reflecting the improvement in foreign exchange gains and losses at Sony Life and operating expense reduction.
- Now I will explain the future direction of the management of the Financial Services business.
- In the mid-range plan that is being compiled currently, Sony Financial Holdings Inc. will establish a strategy that aims to optimize the entire financial services group and concentrate resources in areas where it has a clear advantage and can differentiate, such as in the area of customer service.
- Specifically, the more than 5,000 Lifeplanner® salespeople at Sony Life who are at the center of our Financial Services business will be positioned as a core strength of the financial group and will be augmented as the platform that sustains the Financial Services business.
- We have already begun fostering interactions between the Lifeplanners and the personnel in Sony's R&D divisions, and we are working to develop new financial products and services that fully leverage technology such as AI and cloud computing.



## Three-year Cumulative Capital Allocation Forecast (excluding Financial Services)



- Now I will update you on our capital allocation plan.
- Due to the improvement in the forecast for each business, we revised upward our FY20 forecast for operating cash flow excluding the Financial Services segment to 850 billion yen.
- As a result, our cumulative operating cash flow for the three years of our current mid-range plan is now expected to be 2.4 trillion yen, higher than our target.
- We have set priorities for strategic investment and are currently proactively investing in the content, DTC and technology areas.
- We plan to utilize the excess operating cash flow from this fiscal year as a source of future strategic investment going forward.
- Opportunities for investment, especially in the entertainment space, are steadily increasing and, during the period of our next mid-range plan, which will begin next fiscal year, we aim to make more investments for growth than we did during the current mid-range plan.

# SONY

- Lastly, I will explain the upcoming change in our accounting standards.
- By a resolution of our Board of Directors as of today, we have decided to voluntarily adopt International Financial Reporting Standards (“IFRS”) instead of the U.S. Generally Accepted Accounting Principles we use currently.
- We will disclose our financial statements in accordance with IFRS from the first quarter ending June 30, 2021.
- This concludes my remarks.

## Notes

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### **Sales on a Constant Currency Basis and the Impact of Foreign Exchange Rate Fluctuations**

The descriptions of sales on a constant currency basis reflect sales calculated by applying the yen's monthly average exchange rates from the same period of the previous fiscal year to local currency-denominated monthly sales in the relevant period of the current fiscal year. For Sony Music Entertainment ("SME"), Sony/ATV Music Publishing LLC ("Sony/ATV") and EMI Music Publishing Ltd. ("EMI") in the Music segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis.

Results for the Pictures segment are described on a U.S. dollar basis as the Pictures segment reflects the operations of Sony Pictures Entertainment Inc. ("SPE"), a U.S.-based operation that aggregates the results of its worldwide subsidiaries in U.S. dollars.

The impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rate for the same period of the previous fiscal year from the relevant period of the current fiscal year to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. The I&SS segment enters into its own foreign exchange hedging transactions, and the impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment.

This information is not a substitute for Sony's consolidated financial statements measured in accordance with U.S. GAAP. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

### **Notes about Financial Performance of the Music, Pictures and Financial Services segments**

The Music segment results include the yen-based results of Sony Music Entertainment (Japan) Inc. and the yen-translated results of SME, Sony/ATV and EMI, which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis.

The Pictures segment results are the yen-translated results of SPE, which aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results is specified as being on "a U.S. dollar basis".

The Financial Services segment results include Sony Financial Holdings Inc. ("SFH") and SFH's consolidated subsidiaries such as Sony Life Insurance Co., Ltd. ("Sony Life"), Sony Assurance Inc., and Sony Bank Inc. The results of Sony Life discussed in the Financial Services segment differ from the results that SFH and Sony Life disclose separately on a Japanese statutory basis.

## Cautionary Statement

Statements made in this presentation with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

- (i) Sony's ability to maintain product quality and customer satisfaction with its products and services;
- (ii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including image sensors, game and network platforms, smartphones and televisions, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing customer preferences;
- (iii) Sony's ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;
- (iv) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;
- (v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;
- (vi) Sony's continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;
- (vii) Sony's reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;
- (viii) the global economic and political environment in which Sony operates and the economic and political conditions in Sony's markets, particularly levels of consumer spending;
- (ix) Sony's ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;
- (x) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xi) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets, liabilities and operating results are denominated;
- (xii) Sony's ability to recruit, retain and maintain productive relations with highly skilled personnel;
- (xiii) Sony's ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;
- (xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
- (xv) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
- (xvi) risks related to catastrophic disasters, pandemic disease or similar events;
- (xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and
- (xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

Risks and uncertainties also include the impact of any future events with material adverse impact. The continued impact of COVID-19 could heighten many of the risks and uncertainties noted above. Important information regarding risks and uncertainties is also set forth in Sony's most recent Form 20-F, which is on file with the U.S. Securities and Exchange Commission.